

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 XMB-02 AID-05 CIAE-00 COME-00 EB-07

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TAGS: EINV, EFIN, RP

SUBJ: MARINDUQUE MINING AND INDUSTRIAL CORP. (MMIC)

REF: STATE 303457 (1975)

1. EXIMBANK EXECUTIVE VICE PRESIDENT DAVID BEIM, ASSISTED BY LESLIE WOLF AND ECONOMIC/COMMERCIAL COUNSELOR TERRELL ARNOLD, PRESENTED EXIMBANK'S VIEW OF PRESENT DIFFICULTIES FACED BY MMIC AT LUNCH HOSTED ON DECEMBER 29 BY FINANCE SECRETARY CESAR VIRATA. ALSO PRESENT WERE LEONIDES VIRATA, CHAIRMAN OF DEVELOPMENT BANK OF THE PHILIPPINES, FINANCE UNDERSECRETARY PIO DE RODA, AND ACTING CHAIRMAN OF THE NATIONAL POWER CORPORATION DEL ROSARIO.

2. BEIM EXPLAINED THAT EXIMBANK CONSIDERS THIS A GOOD PROJECT WHICH, FOR A VARIETY OF REASONS, NOW FINDS ITSELF UNDERCAPITALIZED. DEBT RESCHEDULING WOULD NOT CONSTITUTE A FUNDAMENTAL SOLUTION TO THE PROBLEM, AND AN INFUSION OF AT LEAST \$30 MILLION, AND PREFERABLY \$40 MILLION OF NEW CAPITAL IS NEEDED TO PROVIDE THE SORT OF WORKING CAPITAL CUSHION WHICH IS NECESSARY IN A PROJECT OF THIS SORT. BEIM EXPLAINED FURTHER THAT EXIMBANK DOES NOT HAVE AS ITS PURPOSE THE PROVISION OF WORKING CAPITAL LOANS, AND BELIEVES, THEREFORE, THAT SUCH FUNDS SHOULD BE SOUGHT

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ELSEWHERE. AS ANOTHER MATTER OF PRINCIPLE, THE PROJECT IS

NOW SUBSTANTIALLY COMPLETED AND WILL SOON BE NEAR CAPACITY PRODUCTION, (IN FACT THROUGHPUT IS NOW ABOUT 55 PERCENT), AND EXIMBANK NORMALLY EXPECTS REPAYMENT TO BEGIN AT THIS POINT. FINALLY, BECAUSE OF THE PROPORTIONALLY GREATER PRESENT COMMITMENT AND GREATER FUTURE BENEFITS TO ACCRUE TO THE GOP, AND THE UNLIKELIHOOD OF MMIC BEING ABLE TO RAISE ANYTHING THROUGH A STOCK ISSUE OR AN UNGUARANTEED LOAN, RESPONSIBILITY FOR COMING TO MMIC'S ASSISTANCE RESTS PRIMARILY WITH THE GOP. SECRETARY VIRATA APPEARED TO ACCEPT THIS ANALYSIS, NOTED THAT THE ALTERNATIVES WERE VERY FEW, AND ASKED FOR A LATER MEETING, AFTER THE EXIMBANK REPRESENTATIVES HAD MET WITH OFFICERS OF MMIC.

3. BEIM AND WOLFE MADE ESSENTIALLY THE SAME PRESENTATION SUBSEQUENTLY ON THE 29TH TO MMIC CHAIRMAN CABARRUS. MMIC COUNSEL IRWIN ROBINSON, THE MMIC FINANCIAL CONSULTANT FROM BANCOM INVESTMENT CORP., AND JOHN FLEMING, DEPUTY MANILA REP. FOR MANUFACTURERS HANOVER TRUST. IT WAS AGREED THAT MMIC HAD TO LOOK TO THE GOP FOR ADDITIONAL CAPITAL.

4. AT A DINNER MEETING ON DECEMBER 29, SECRETARY VIRATA AGREED, WITH OBVIOUS RELUCTANCE, THAT THE PROJECT NEEDED \$30-40 MILLION OF NEW CAPITAL, AND THAT THE GOP WOULD DO WHAT WAS NECESSARY TO SUPPORT FINANCING TO MEET THIS NEED. THE FORM OF ASSISTANCE WOULD BE A SYNDICATED LOAN TO THE GOP, WITH THE DETAILS OF HOW THIS WULD THEN BE MADE AVAILABLE TO MMIC, WHETHER THROUGH EQUITY OR SOME FORM OF DEBT, TO BE WORKED OUT LATER BETWEEN MMIC AND THE GOP.

5. MANUFACTURERS HANOVER TRUST REPRESENTATIE FLEMING HAS RELAYED THIS INFORMATION TO NEW YORK. MHT'S DECISION IS NOT YET KNOWN.

6. SINCE IT APPEARS CERTAIN THAT THE GOP WILL BE GOING TO THE MARKET FOR A BALANCE OF PAYMENTS LOAN OF ABOUT \$150 MILLION IN MARCH, THE MOST FEASIBLE OVERALL SOLUTION COULD BE TO FOLD THE MMIC PORTION INTO THIS AS A TOTAL LOAN PACKAGE OF PERHAPS \$200 MILLION. THE ORIGINAL OFFER BY MANTRUST OF \$15 MILLION FOR FIVE MONTHS COULD STILL LIMITED OFFICIAL USE

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BE USED TO MEED IMMEDIATE CASH NEEDS, AND THIS \$15 MILLION COULD THEN BE ABSORBED INTO THE FULL AMOUNT OF THE LONGER-TERM LOAN WHEN IT IS ARRANGED. THE INITIATIVE FOR PUTTING TOGETHER A PACKAGE AND THE SYNDICATION, HOWEVER, NOW RESTS WITH MANTRUST.

7. THE VISIT OF MESSRS. BEIM AND WOLFE WAS MOST USEFUL IN CATALYZING THE FORCES NECESSARY TO OPEN A PATH TOWARD

SOLUTION, WE THINK AN ENDURING ONE. THEIR VISIT, ESPECIALLY  
IN THIS HOLIDAY PERIOD, WAS APPRECIATED BY MMIC, THE GOP,  
AND THE EMBASSY.  
SULLIVAN

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